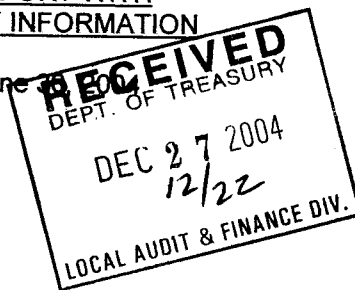


TOWNSHIP OF GARFIELD  
Clare County, Michigan  
18-1050  
FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2004



## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Garfield	<b>County</b> Clare
<b>Audit Date</b> June 30, 2004	<b>Opinion Date</b> October 9, 2004	<b>Date Accountant Report Submitted to State:</b> October 9, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the report of comments and recommendations

You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686		<b>City</b> Bay City	<b>State</b> MI
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.		<b>Zip</b> 48707	

TOWNSHIP OF GARFIELD  
Clare County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

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P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
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## INDEPENDENT AUDITOR'S REPORT

October 9, 2004

To the Township Board  
Township of Garfield  
Clare County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Garfield, Clare County, Michigan as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Garfield's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Garfield, Clare County, Michigan as of June 30, 2004, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2003.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF GARFIELD  
Clare County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2004

This section of the Township of Garfield annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2004. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at June 30, 2004, totaled approximately \$1,192,000.00 for governmental activities. Of this total approximately \$583,900.00 represent capital assets net of depreciation.

Overall revenues were approximately \$565,000.00 from governmental activities.

The tax base increased by approximately 7% from 2003 to 2004.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These include the General Fund, Fire Fund, Liquor Fund, Budget Stabilization Fund, Solid Waste Disposal Fund, Equipment Replacement Fund, Special Equipment Fund and Perch Lake & Crooked Lake Improvement Funds.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2004

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund and all Special Revenue Funds.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net assets: The Township's combined net assets increased approximately \$103,000.00 during the year ended June 30, 2004, totaling approximately \$1,192,000.00.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund: This fund is used to record all activities of the Township not required to be recorded in separate funds. This would include administrative, elections, Board of Review, Township hall and other Township property, cemetery, roads, lighting and library support. The major source of revenue for the General Fund is from state revenue sharing, tax base and repayment of internal loans used to finance special assessment projects from past years. The Township General Fund fund balance increased by approximately \$56,000.00 during the year ended June 30, 2004, totaling approximately \$251,000.00.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital assets:

The new additions for this year were a copy machine for \$1,345.00 and three fire pagers and one charger for \$1,365.10.

Long-term debt:

The Township had no long-term debt activity during the fiscal year ended June 30, 2004.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Township plans for the future include a new fire equipment truck in 2005 costing \$177,000.00 of which we will finance locally approximately \$100,000.00 over 2-3 years. We also have an agreement with the County Road Commission to cost share 50/50 the paving of 2 miles of Maple Grove Road in 2006-2007. Estimated cost to the Township is approximately \$180,000.00.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2004

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customer with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenue it receives. If you have any questions concerning this report please contact the Township Supervisor or Township Clerk at the Township Hall, 9348 Terry Street, Lake, Michigan 48632, during the hours of 9-4 Monday-Wednesday-Friday or by calling 989-544-2445.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
June 30, 2004

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	<u>608 962 76</u>
Total Current Assets	<u>608 962 76</u>
NONCURRENT ASSETS:	
Capital Assets	805 294 83
Less: Accumulated Depreciation	<u>(221 346 38)</u>
Total Noncurrent Assets	<u>583 948 45</u>
TOTAL ASSETS	<u><u>1 192 911 21</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>-</u>
Total Current Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	583 948 45
Unrestricted	<u>608 962 76</u>
Total Net Assets	<u>1 192 911 21</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 192 911 21</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF GARFIELD  
Clare County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended June 30, 2004

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Legislative	5 069 18	-	-	(5 069 18)
General government	139 149 28	24 440 79	-	(114 708 49)
Public safety	96 082 11	-	2 025 65	(94 056 46)
Public works	<u>221 074 68</u>	<u>238 950 35</u>	<u>-</u>	<u>17 875 67</u>
Total Governmental Activities	<u>461 375 25</u>	<u>263 391 14</u>	<u>2 025 65</u>	<u>(195 958 46)</u>
General Revenues:				
Property taxes				146 663 97
State revenue sharing				140 546 55
Interest				4 534 40
Miscellaneous				<u>7 982 21</u>
Total General Revenues				<u>299 727 13</u>
Change in net assets				103 768 67
Net assets, beginning of year				<u>1 089 142 54</u>
Net Assets, End of Year				<u>1 192 911 21</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
June 30, 2004

<u>Assets</u>	<u>General</u>	<u>Fire</u>	<u>Solid Waste Disposal</u>	<u>Other Funds</u>	<u>Total</u>
Cash in bank	<u>251 923 27</u>	<u>83 471 83</u>	<u>97 876 07</u>	<u>175 691 59</u>	<u>608 962 76</u>
Total Assets	<u>251 923 27</u>	<u>83 471 83</u>	<u>97 876 07</u>	<u>175 691 59</u>	<u>608 962 76</u>
<u>Liabilities and Fund Equity</u>					
Liabilities					
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	<u>251 923 27</u>	<u>83 471 83</u>	<u>97 876 07</u>	<u>175 691 59</u>	<u>608 962 76</u>
Total fund equity	<u>251 923 27</u>	<u>83 471 83</u>	<u>97 876 07</u>	<u>175 691 59</u>	<u>608 962 76</u>
Total Liabilities and Fund Equity	<u>251 923 27</u>	<u>83 471 83</u>	<u>97 876 07</u>	<u>175 691 59</u>	<u>608 962 76</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2004

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS

608 962 76

Amounts reported for governmental activities in the statement of  
net assets are different because –

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost  
Accumulated depreciation

805 294 83  
(221 346 38)

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES

1 192 911 21

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended June 30, 2004

	<u>General</u>	<u>Fire</u>	<u>Solid Waste Disposal</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:					
Property taxes	50 759 49	95 904 43	-	-	146 663 97
State revenue sharing	140 546 55	-	-	2 025 65	142 572 20
Charges for services – PTAF	20 342 94	-	-	-	20 342 94
Charges for services – other	4 097 85	-	-	-	4 097 85
Interest	4 534 40	-	-	-	4 534 40
Special assessments	54 109 18	-	141 529 11	43 312 06	238 950 35
Miscellaneous	6 221 18	561 03	-	1 200 00	7 982 21
Total revenues	<u>280 611 59</u>	<u>96 465 51</u>	<u>141 529 11</u>	<u>46 537 71</u>	<u>565 143 92</u>
Expenditures:					
Legislative:					
Township Board	5 069 18	-	-	-	5 069 18
General government:					
Supervisor	32 442 36	-	-	-	32 442 36
Elections	361 13	-	-	-	361 13
Clerk	13 104 06	-	-	-	13 104 06
Board of Review	537 07	-	-	-	537 07
Treasurer	20 822 48	-	-	-	20 822 48
Building and grounds	14 521 12	-	-	-	14 521 12
Other properties	17 742 88	-	-	-	17 742 88
Cemetery	7 156 35	-	-	-	7 156 35
Unallocated	27 166 26	-	-	-	27 166 26
Public safety:					
Liquor control	-	-	-	2 025 65	2 025 65
Fire services	-	62 094 30	-	-	62 094 30
Public works:					
Highways and streets	83 557 00	-	-	-	83 557 00
Sanitation	-	-	115 999 38	-	115 999 38
Lake weed control	-	-	-	21 518 30	21 518 30
Capital outlay	1 345 00	1 365 10	-	-	2 710 10
Total expenditures	<u>223 824 89</u>	<u>63 459 40</u>	<u>115 999 38</u>	<u>23 543 95</u>	<u>426 827 62</u>
Excess of revenues over expenditures	<u>56 786 70</u>	<u>33 006 11</u>	<u>25 529 73</u>	<u>22 993 76</u>	<u>138 316 30</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	30 000 00	30 000 00
Operating transfers out	-	(30 000 00)	-	-	(30 000 00)
Total other financing sources (uses)	<u>-</u>	<u>(30 000 00)</u>	<u>-</u>	<u>30 000 00</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	56 786 70	3 006 11	25 529 73	52 993 76	138 316 30
Fund balances, July 1	<u>195 136 57</u>	<u>80 465 72</u>	<u>72 346 34</u>	<u>122 697 83</u>	<u>470 646 46</u>
Fund Balances, June 30	<u>251 923 27</u>	<u>83 471 83</u>	<u>97 876 07</u>	<u>175 691 59</u>	<u>608 962 76</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended June 30, 2004

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 138 316 30

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense  
Capital Outlay

(37 257 73)  
2 710 10

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

103 768 67

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Garfield, Clare County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Garfield. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 2.4474 mills, and the taxable value was \$63,674,268.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 years
Furniture and equipment	3-20 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective July 1, 2003, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$583,948.45.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.



TOWNSHIP OF GARFIELD  
Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 2 – Budgets and Budgetary Accounting (continued)

2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>608,962.76</u>

TOWNSHIP OF GARFIELD  
Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 3 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	185 000 00
Uninsured and Uncollateralized	<u>462 384 62</u>
Total Deposits	<u><u>647 384 62</u></u>

The Township of Garfield did not have any investments as of June 30, 2004.

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>7 369 07</u>	Current Tax Collection	<u>7 369 07</u>
Total	<u><u>7 369 07</u></u>	Total	<u><u>7 369 07</u></u>

Note 5 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 7/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/04</u>
Land	72 146 00	-	-	72 146 00
Equipment	296 638 74	-	-	296 638 74
Buildings	<u>433 799 99</u>	<u>2 710 10</u>	-	<u>436 510 09</u>
Total	802 584 73	2 710 10	-	805 294 83
Accumulated Depreciation	<u>(184 088 65)</u>	<u>(37 257 73)</u>	-	<u>(221 346 38)</u>
Net Capital Assets	<u><u>618 496 08</u></u>	<u><u>(34 547 63)</u></u>	-	<u><u>583 948 45</u></u>

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Pension Plan

The Township has a defined contribution pension plan covering all Township Board members. The Township contributes a percentage of each employee's wages to the plan. Pension expense for the fiscal year ended June 30, 2004, was \$10,449.02.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 8 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 – Transfers In and Transfers Out

For the fiscal year ended, June 30, 2004, the Township made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Equipment replacement	30 000 00	Fire	30 000 00
Total	<u>30 000 00</u>	Total	<u>30 000 00</u>

Note 10 – Building Permits

The Township of Garfield does not issue building permits. Building permits are issued by the County of Clare.

TOWNSHIP OF GARFIELD  
Clare County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	54 000 00	50 000 00	50 759 49	759 49
Trailer park fees	100 00	100 00	23 00	(77 00)
State revenue sharing	142 000 00	142 000 00	140 546 55	(1 453 45)
Charges for services – PTAF	22 000 00	21 000 00	20 342 94	(657 06)
Charges for services – other	3 300 00	3 300 00	4 097 85	797 85
Interest	7 000 00	9 000 00	4 534 40	(4 465 60)
Special assessments	41 112 00	55 912 00	54 109 18	(1 802 82)
Miscellaneous	7 000 00	-	6 198 18	6 198 18
Total revenues	<u>276 512 00</u>	<u>281 312 00</u>	<u>280 611 59</u>	<u>(700 41)</u>
Expenditures:				
Legislative:				
Township Board	14 700 00	14 755 00	5 069 18	(9 685 82)
General government:				
Supervisor	37 200 00	35 290 00	32 442 36	(2 847 64)
Elections	3 700 00	2 150 00	361 13	(1 788 87)
Clerk	16 800 00	14 350 00	13 104 06	(1 245 94)
Board of Review	1 000 00	900 00	537 07	(362 93)
Treasurer	25 300 00	23 850 00	20 822 48	(3 027 52)
Building and grounds	20 900 00	17 800 00	14 521 12	(3 278 88)
Other properties	27 200 00	20 500 00	17 742 88	(2 757 12)
Cemetery	8 800 00	8 200 00	7 156 35	(1 043 65)
Unallocated	31 200 00	28 900 00	27 166 26	(1 733 74)
Public safety:				
Fire services	1 500 00	1 500 00	-	(1 500 00)
Public works:				
Highways and streets	104 000 00	103 000 00	83 557 00	(19 443 00)
Capital outlay	9 000 00	7 645 00	1 345 00	(6 300 00)
Total expenditures	<u>301 300 00</u>	<u>278 840 00</u>	<u>223 824 89</u>	<u>(55 015 11)</u>
Excess (deficiency) of revenues over expenditures	(24 788 00)	2 472 00	56 786 70	54 314 70
Fund balance (deficits), July 1	<u>200 000 00</u>	<u>197 315 00</u>	<u>195 136 57</u>	<u>(2 178 43)</u>
Fund Balance (Deficits), June 30	<u>175 212 00</u>	<u>199 787 00</u>	<u>251 923 27</u>	<u>52 136 27</u>

TOWNSHIP OF GARFIELD  
Clare County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND  
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	108 000 00	95 000 00	95 904 48	904 48
Miscellaneous	-	-	561 03	561 03
Total revenues	<u>108 000 00</u>	<u>95 000 00</u>	<u>96 465 51</u>	<u>1 465 51</u>
Expenditures:				
Public safety:				
Fire	72 000 00	69 800 00	62 094 30	(7 705 70)
Capital outlay	<u>9 000 00</u>	<u>5 000 00</u>	<u>1 365 10</u>	<u>(3 634 90)</u>
Total expenditures	<u>81 000 00</u>	<u>74 800 00</u>	<u>63 459 40</u>	<u>(11 340 60)</u>
Excess (deficiency) of revenues over expenditures	<u>27 000 00</u>	<u>20 200 00</u>	<u>33 006 11</u>	<u>12 806 11</u>
Other financing sources (uses):				
Operating transfers out	<u>(42 500 00)</u>	<u>(30 000 00)</u>	<u>(30 000 00)</u>	-
Total other financing sources (uses)	<u>(42 500 00)</u>	<u>(30 000 00)</u>	<u>(30 000 00)</u>	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(15 500 00)</u>	<u>(9 800 00)</u>	<u>3 006 11</u>	<u>12 806 11</u>
Fund balance, July 1	<u>15 500 00</u>	<u>80 466 00</u>	<u>80 465 72</u>	<u>(28)</u>
Fund Balance, June 30	<u>-</u>	<u>70 666 00</u>	<u>83 471 83</u>	<u>12 805 83</u>

TOWNSHIP OF GARFIELD  
Clare County, Michigan

BUDGETARY COMPARISON SCHEDULE – SOLID WASTE FUND  
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Special assessments	<u>147 000 00</u>	<u>140 000 00</u>	<u>141 529 11</u>	<u>1 529 11</u>
Total revenues	<u>147 000 00</u>	<u>140 000 00</u>	<u>141 529 11</u>	<u>1 529 11</u>
Expenditures:				
Public works:				
Sanitation	<u>133 900 00</u>	<u>130 900 00</u>	<u>115 999 38</u>	<u>(14 900 62)</u>
Total expenditures	<u>133 900 00</u>	<u>130 900 00</u>	<u>115 999 38</u>	<u>(14 900 62)</u>
Excess of revenues over expenditures	13 100 00	9 100 00	25 529 73	16 429 73
Fund balance, July 1	<u>-</u>	<u>72 346 00</u>	<u>72 346 34</u>	<u>34</u>
Fund Balance, June 30	<u>13 100 00</u>	<u>81 446 00</u>	<u>97 876 07</u>	<u>16 430 07</u>

TOWNSHIP OF GARFIELD  
Clare County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2004

Township Board:	
Wages	3 000 00
Supplies	444 46
Publishing	72 00
Dues	1 244 72
Legal	308 00
	<u>5 069 18</u>
Supervisor:	
Salary – Supervisor	9 350 00
Salary – Assessor	17 040 04
Supplies	89 91
Dues	75 00
Conferences	390 00
Mileage	232 56
Miscellaneous	5 264 85
	<u>32 442 36</u>
Elections:	
Supplies	124 41
Postage	60 88
Miscellaneous	175 84
	<u>361 13</u>
Clerk:	
Wages	10 050 00
Wages – deputy	1 776 25
Supplies	585 72
Mileage	88 40
Miscellaneous	603 69
	<u>13 104 06</u>
Board of Review:	
Wages	360 00
Printing and publishing	138 75
Miscellaneous	38 32
	<u>537 07</u>
Treasurer:	
Wages	12 849 96
Wages – deputy	1 355 76
Supplies	1 729 56
Mileage	294 78
Postage	3 333 80
Miscellaneous	1 258 62
	<u>20 822 48</u>
Building and grounds:	
Wages	413 25
Supplies	336 32
Insurance	7 491 96
Telephone	1 752 48
Utilities	2 423 47
Repairs and maintenance	2 103 64
	<u>14 521 12</u>

TOWNSHIP OF GARFIELD  
Clare County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2004

Other properties:	
Wages	9 743 99
Supplies	2 734 99
Repairs and maintenance	3 551 39
Gasoline	1 712 51
	<u>17 742 88</u>
Cemetery:	
Wages	3 620 86
Supplies	964 13
Insurance	713 52
Burials	1 300 00
Utilities	97 56
Repairs and maintenance	29 52
Miscellaneous	430 76
	<u>7 156 35</u>
Unallocated:	
Street lights	2 717 27
Payroll taxes	7 633 91
Insurance	5 055 06
Pension	10 449 02
Library	1 311 00
	<u>27 166 26</u>
Highways and streets:	
Repairs and maintenance	83 557 00
	<u>83 557 00</u>
Capital outlay	1 345 00
	<u>1 345 00</u>
Total Expenditures	<u><u>223 824 89</u></u>



TOWNSHIP OF GARFIELD  
Clare County, Michigan

COMBINING BALANCE SHEET -- ALL SPECIAL REVENUE FUNDS  
June 30, 2004

<u>Assets</u>	<u>Liquor</u>	<u>Fire</u>	<u>Budget Stabilization</u>	<u>Crooked Lake Improvement</u>	<u>Equipment Replacement</u>
Cash in bank	-	83 471 83	63 778 64	57 573 29	40 405 77
Total Assets	-	83 471 83	63 778 64	57 573 29	40 405 77
<u>Liabilities and Fund Balances</u>					
Liabilities	-	-	-	-	-
Fund balances:					
Unreserved:					
Undesignated	-	83 471 83	63 778 64	57 573 29	40 405 77
Total Liabilities and Fund Balances	-	83 471 83	63 778 64	57 573 29	40 405 77

<u>Solid Waste Disposal</u>	<u>Perch Lake Improvement</u>	<u>Special Equipment</u>	<u>Total</u>
<u>97 876 07</u>	<u>7 090 30</u>	<u>6 843 59</u>	<u>357 039 49</u>
<u>97 876 07</u>	<u>7 090 30</u>	<u>6 843 59</u>	<u>357 039 49</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>97 876 07</u>	<u>7 090 30</u>	<u>6 843 59</u>	<u>357 039 49</u>
<u>97 876 07</u>	<u>7 090 30</u>	<u>6 843 59</u>	<u>357 039 49</u>

TOWNSHIP OF GARFIELD  
Clare County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS  
Year ended June 30, 2004

	<u>Liquor</u>	<u>Fire</u>	<u>Budget Stabilization</u>	<u>Crooked Lake Improvement</u>	<u>Equipment Replacement</u>
Revenues:					
Property taxes	-	95 904 48	-	-	-
Special assessments	-	-	-	37 405 06	-
State revenue sharing	2 025 65	-	-	-	-
Miscellaneous	-	561 03	-	-	-
Total revenues	<u>2 025 65</u>	<u>96 465 51</u>	<u>-</u>	<u>37 405 06</u>	<u>-</u>
Expenditures:					
Public safety:					
Liquor control	2 025 65	-	-	-	-
Fire services	-	62 094 30	-	-	-
Public works:					
Sanitation	-	-	-	-	-
Lake weed control	-	-	-	16 268 30	-
Capital outlay	-	1 365 10	-	-	-
Total expenditures	<u>2 025 65</u>	<u>63 459 40</u>	<u>-</u>	<u>16 268 30</u>	<u>-</u>
Excess of revenues over expenditures	<u>-</u>	<u>33 006 11</u>	<u>-</u>	<u>21 136 76</u>	<u>-</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	-	30 000 00
Operating transfers out	-	(30 000 00)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(30 000 00)</u>	<u>-</u>	<u>-</u>	<u>30 000 00</u>
Excess of revenues and other sources over expenditures and other uses	-	3 006 11	-	21 136 76	30 000 00
Fund balances, July 1	<u>-</u>	<u>80 465 72</u>	<u>63 778 64</u>	<u>36 436 53</u>	<u>10 405 77</u>
Fund Balances, June 30	<u>-</u>	<u>83 471 83</u>	<u>63 778 64</u>	<u>57 573 29</u>	<u>40 405 77</u>

<u>Solid Waste Disposal</u>	<u>Perch Lake Improvement</u>	<u>Special Equipment</u>	<u>Total</u>
-	-	-	95 904 48
141 529 11	5 907 00	-	184 841 17
-	-	-	2 025 65
-	-	1 200 00	1 761 03
<u>141 529 11</u>	<u>5 907 00</u>	<u>1 200 00</u>	<u>284 532 33</u>
-	-	-	2 025 65
-	-	-	62 094 30
115 999 38	-	-	115 999 38
-	5 250 00	-	21 518 30
-	-	-	1 365 10
<u>115 999 38</u>	<u>5 250 00</u>	<u>-</u>	<u>203 002 73</u>
<u>25 529 73</u>	<u>657 00</u>	<u>1 200 00</u>	<u>81 529 60</u>
-	-	-	30 000 00
-	-	-	(30 000 00)
-	-	-	-
25 529 73	657 00	1 200 00	81 529 60
<u>72 346 34</u>	<u>6 433 30</u>	<u>5 643 59</u>	<u>275 509 89</u>
<u>97 876 07</u>	<u>7 090 30</u>	<u>6 843 59</u>	<u>357 039 49</u>

TOWNSHIP OF GARFIELD  
Clare County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended June 30, 2004

	<u>Balance</u> <u>7/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/04</u>
<u>Assets</u>				
Cash in Bank	<u>4 013 48</u>	<u>1 887 522 09</u>	<u>1 884 166 50</u>	<u>7 369 07</u>
<u>Liabilities</u>				
Due to other funds	4 013 48	407 204 60	403 849 01	7 369 07
Due to others	<u>-</u>	<u>1 480 317 49</u>	<u>1 480 317 49</u>	<u>-</u>
Total Liabilities	<u>4 013 48</u>	<u>1 887 522 09</u>	<u>1 884 166 50</u>	<u>7 369 07</u>

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

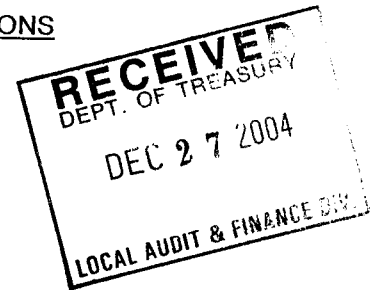
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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

October 9, 2004

To the Township Board  
Township of Garfield  
Clare County, Michigan



We have audited the financial statements of the Township of Garfield for the year ended June 30, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Garfield in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Garfield  
Clare County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended June 30, 2004. The implementation of this pronouncement for the Township of Garfield began with the year ended June 30, 2004. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated June 30, 2004.

To the Township Board  
Township of Garfield  
Clare County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants